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STATE FOR EAP/MLS, EB/TPP, DRL/ILCSR
LABOR FOR ILAB--CHRIS WATSON AND JONA LAI
COMMERCE FOR OTEXA

E.O. 12958: N/A
TAGS: [ELAB](#) [ETRD](#) [KTEX](#) [PHUM](#)
SUBJECT: CAMBODIA: GARMENT BUYERS URGE IMPROVED
COMPETITIVENESS, ILO INVOLVEMENT IN FACTORY MONITORING

¶1. (SBU) SUMMARY. Buyers of Cambodian-made garments urged the Better Factories Cambodia factory monitoring project to maintain credibility by continuing International Labor Organization (ILO) involvement and to meet financial challenges by encouraging more buyers to participate. Cambodia's good working conditions are no longer enough to ensure its share of the global textile market, and instead the nation's garment factories must improve price, quality, and turnaround time. While individual buyers often complain privately about disappointing and irresponsible behavior by unions, factories, and the Cambodian government, they missed a key opportunity to present this as a common concern. END SUMMARY.

¶2. (U) Better Factories Cambodia, the ILO-run factory monitoring program, recently brought together 19 representatives from 12 brands for their semiannual Buyers' Forum, which was held Dec. 5 and 6 in Phnom Penh. While the Buyers' Forum is focused on ways to make factory monitoring and training programs more effective and to plan for the project's sustainability, it is also a unique opportunity for buyers to come together and talk about their experiences sourcing garment production in Cambodia. The project was originally started with US Department of Labor funding, and now receives some support from USAID as well as from buyers, unions, the Cambodian government, and other foreign aid donors.

Buyers Complain Privately, but not to Government or Unions

¶3. (SBU) Over the past several months, several garment buyers and a labor rights organization have expressed concerns to us and others about the level of labor unrest and irresponsible behavior by unions and factories and the government's inability or unwillingness to promote labor peace. The Gap, the top buyer of Cambodian garments, dispatched an expatriate official to Cambodia for six weeks over the summer to investigate specific allegations of labor abuses and to promote cooperation between unions and factories. In June, Levi Strauss, the second largest buyer of Cambodian garments, told the Garment Manufacturers' Association of Cambodia (GMAC) that they were reversing a planned expansion in Cambodia and were instead scaling back production in response to increased labor unrest. European retailer Hennes and Mauritz (H & M) complained of receiving protest letters from "all of Sweden" when allegations of poor working conditions at a Cambodian factory were publicized in Europe. And the US-based Fair Labor Association reported a

sharp increase in complaints about Cambodian factories, prompting them to launch three full investigations in Cambodia this year--a dramatic figure considering they typically launch only 2-3 investigations worldwide each year.

(COMMENT: The dramatic increase in these complaints seem to reflect both the tense labor situation from March to May this year and the unions' sudden discovery and indiscriminate use of the internet as a tool for finding and contacting labor rights organizations and buyers directly. END COMMENT.)

¶4. (SBU) Because the Buyers' Forum is the only time that a large number of garment buyers gather in Cambodia simultaneously, some garment buyers and the embassy had encouraged Better Factories to use the occasion to organize dialogues with government officials and unions about top buyer concerns (e.g. excessive and illegal strikes, anti-union discrimination, and labor-related violence) and to allow buyers to explain purchasing decisions and consumer behavior to unions. Instead, the forum focused on sustainability questions, and there was just one private meeting with government officials--a breakfast with Ministry of Commerce Secretary of State Pan Sorasak. In contrast to their strong condemnation of human rights abuses during meetings with government officials during last year's Buyers Forum, this year buyers raised few issues during the breakfast. The one vocal exception was Gap representative Naurin Muzzafar, who expressed concern about police violence towards workers, and specifically cited the shooting of a worker at Bright Sky Garment Factory in October. Better Factories staffer Conor Boyle noted that Pan Sorasak's response was vague and unsatisfactory.

Working Conditions Alone Won't Guarantee Export Growth

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¶5. (U) Several garment buyers privately emphasized a message we've heard many times before: good working conditions alone are no longer enough to ensure Cambodia's share of the garment manufacturing industry. As more and more countries improve factories, garment buyers now have a long list of factories where workers enjoy excellent conditions. Safe and fair working conditions are a prerequisite for being considered--not a competitive advantage in sourcing decisions. Cambodia needs to focus on improving price, quality, and turnaround time if it is to compete with other producers. Buyers cited Vietnam as Cambodia's top competitor, but said that other low-cost producers in the region, like India, Pakistan, and Sri Lanka, are also a threat. Desta Rains of Jones New York reported that an Anne Klein representative had recently come to Cambodia to investigate the possibility of sourcing here, but found no factories that could produce garments up to their high quality standards.

¶6. (SBU) While Cambodia's biggest buyers--like Gap--follow labor developments very closely, several others were surprisingly unconcerned and ill-informed about the recent increase in labor unrest. Several noted that "at least it's not as bad as Bangladesh." Nonetheless, Rains noted that during the spike in labor unrest several months ago, Jones New York had moved some of its production from a Cambodian factory to a Vietnamese factory operated by the same factory owner to ensure that the order was completed on time.

ILO Involvement, Increased Buyer Participation Critical

¶7. (U) Credibility and cost were buyers' top concerns during closed-door sustainability meetings on Dec. 5. Talking with staff from Better Factories and the World Bank's Mekong Private Development Facility, buyers said that continued ILO involvement was a key part of maintaining the project's reputation for fairness and impartiality. Several buyers referred to recent high-profile revelations of child labor at

a Nike factory in Pakistan. That factory, they noted, was monitored by a local organization, but those efforts were not enough to prevent or uncover the labor violations occurring there.

¶8. (U) Buyers expressed concern over projections that their contributions would need to increase--perhaps even triple--as the project becomes fully self-financing. As an alternative to increasing per factory contributions, buyers emphasized the need to encourage broader buyer participation in the factory monitoring project--something Better Factories is already working on. According to Better Factories staff, 16 of the 35 garment buyers sourcing from Cambodia have joined the factory monitoring program, representing 60% of the country's export volume. Better Factories has entered into a partnership with the US firm Business for Social Responsibility to encourage non-participating buyers, including Columbia, JC Penney, Kohl's, Eddie Bauer, Kelwood, American Eagle, Zara, and C & A, to start supporting the project and using its factory monitoring reports. However, ILO Chief Technical Advisor Tuomo Poutiainen warned that Better Factories has already recruited the "low-hanging fruit" and that even recruiting 2-3 more companies would be a big accomplishment.

Unions Say Monitoring Too Lax, GMAC Says Too Strict

¶9. (U) Recently, Better Factories monitoring reports have come under fire from both GMAC, who accuses them of being too hard on factories, and unions, who say that the reports paint an overly rosy picture of Cambodia's garment industry. The unions would like a sharper focus on areas of non-compliance, especially labor-related violence, while factories argue that standards are too high and take issue with findings based on worker reports. Poutiainen told Poleconoff that he sees the criticism as a positive sign that unions are engaging more deeply in Better Factories operations and are realizing that the project's reports have an impact on buyers. (NOTE: The FTU has a seat on Better Factories' Project Advisory Committee, which reviews all synthesis reports before they are released publicly. However, FTU and other union representatives have typically been reticent and rarely suggest changes to the reports, in contrast to outspoken participation from GMAC representatives. END NOTE.)

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Comment

¶10. (SBU) In some ways, Cambodia's factory monitoring program is a victim of its own success. Its effective and innovative approach once set Cambodia apart from its competitors, but as other countries emulated this example, Cambodia's good working conditions have lost their uniqueness. Government officials and factory owners understand that Cambodia must now compete on price, quality, and turnaround time. However, many unions have bought in to the gospel of corporate social responsibility too deeply, and now believe erroneously that socially conscious retailers are so loyal to Cambodia that even rising prices and production delays would not lead them to source elsewhere.

¶11. (SBU) Individual garment buyers frequently complain to us about corrupt and illegal union behavior, factory-instigated violence and anti-union discrimination, an inept Ministry of Labor, and poor enforcement of the labor law. However, buyers are reluctant to voice these concerns individually, lest they seem overly critical of workers or make enemies in the government. Thus it is disappointing that garment buyers and the Better Factories project passed up a unique opportunity for buyers to speak with one voice in urging more responsibility from unions, factories, and the government alike. END COMMENT.

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